

Final Draft

**Land Development Strategies for
Residential Development
Case Study of Tirana
Implications for a National Strategy**

**Prepared for
USAID/RHUDO Warsaw**

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Table of Contents

| | |
|--|-----------|
| Section I — Executive Summary | 1 |
| Section II — Background | 6 |
| 1 Introduction | 6 |
| 2 Background | 6 |
| 3 Growth of the Informal Sector | 7 |
| Section III — Existing Conditions in Tirana | 9 |
| 1 Land Development | 9 |
| 2 Infrastructure | 11 |
| 3 Planning, Regulatory, and Institutional Issues | 13 |
| Section IV — Growth Scenarios | 15 |
| 1 Population Projections | 15 |
| 2 Housing Needs Assessment | 16 |
| 3 Residential Land and Infrastructure Needs | 17 |
| 4 Typologies of Residential Development | 20 |
| Sections V — Proposed Strategies | 23 |
| 1 Overview | 23 |
| 2 New Residential Development | 24 |
| 3 Regularization of Informal Development | 26 |
| 4 Fiscal Considerations | 27 |

| | |
|--|-----------|
| 5 Review of Central/Local Relationships | 27 |
| 6 Implementation Options and Strategies | 29 |
| 7 Suggested Focus for Technical Assistance²³ | 30 |

Appendices

| | | |
|------------|---|----|
| Appendix 1 | Profile of Development Corporations | 33 |
| Appendix 2 | Outline of Land Development Options | 35 |
| Appendix 3 | Case Study — City of Durres | 38 |
| Appendix 4 | Key Issues Related to Land Management | 40 |
| Appendix 5 | Detailed Cost Estimates for Residential Development | 42 |
| Appendix 6 | Reference Maps | 43 |
| Appendix 7 | Contacts | 44 |
| Appendix 8 | David Cook Report | 47 |

Section I — Executive Summary

A mission sponsored by USAID/RHUDO Warsaw took place in Albania from May 18th to June 2nd 1994. The team was asked to assist the Ministry of Construction and local authorities to develop land management strategies and identify potential zones for residential development. The team met with over 20 decision makers, planners, and other technical staff of the central government, the cities of Tirana and Durrës, private construction company representatives, occupants of informal housing, representatives of international agencies, and NGOs.

Before leaving Albania, the team presented a broad outline of its findings and recommendations to Minister Manushi of the Ministry of Construction. The Minister requested that USAID assist the Ministry in developing a land management strategy and disseminating the findings to the President, Prime Minister, and a Council of Minister's working group on land issues.

Currently the population in greater Tirana (City and District of Tirana) is estimated at 480,000 persons. Assuming two urban growth rates of five and eight percent over the next six years, the population could increase to within estimated range of between 640,000 to 762,000 residents by the year 2000. Accounting for the current backlog of special needs housing in the Tirana region of some 6,650 households and estimating the number of new households over the next six years, the demand for new housing units could range between 49,000 (5% growth rate) to 73,000 (8% growth rate) for the same period.

During the current period of rapid economic, social, and political transition, the lack of serviced land for development and unresolved restitution issues is leading to illegal development of new housing on public and private lands. Such land development patterns consume more land per family, result in inefficient land use, and require costly infrastructure investments. This report shows that if current unmanaged land development patterns continue, approximately 1,660 hectares of land may be required for residential development in the Tirana region over the next six years. However, if managed land development policies can be introduced that meet the majority of land requirements within the formal system, urban land consumption requirements could be considerably less, or approximately 1,250 hectares. The implications for the cost of providing infrastructure, protecting the environment, and avoiding the loss of agricultural land to uncontrolled growth are significant.

This report outlines estimated land consumption among different income groups and illustrates how opening land access to lower- and middle-income households is critical to addressing the underlying forces now stimulating unmanaged growth and informal development. If an income group is not included in a comprehensive land management strategy, they will create opportunities outside the formal system.

The Government of Albania has demonstrated a commitment to the establishment of property rights through its privatization and restitution laws. A similar commitment, supported by the government and international agencies, is required for the provision of new residential development sites and the regularization of existing informal residential zones. The recommendations for a residential land management strategy fall within five priority areas:

1. Immediately undertake a program to open up public and private land for residential development by defining a growth and structure plan for Tirana and the required strategic public investments to guide and leverage private investment in housing.
2. Facilitate the production of serviced land and housing options among the private sector through streamlined planning and regulatory processes, new building typologies, and more flexible planning options.
3. Identify the legal framework to regularize informal development and strategies to incorporate appropriate informal residential zones into the formal system.
4. Identify appropriate institutional frameworks at the local and national levels and models of public/private partnerships to implement new land projects and regularization strategies.
5. Identify key legal and regulatory reforms that are necessary for land markets to efficiently function in a market economy.

In Albania, urban development patterns and growth opportunities can be strongly influenced by two factors: the new mobility which accompanies a market economy and the structure that can be introduced to guide this development through the provision of infrastructure and more flexible planning strategies. The use of a land management strategy to carefully select strategic public intervention is crucial to mobilizing and leveraging the considerable levels of private resources that will be channelled into housing. The opportunity exists to introduce land development patterns and cost recovery precedents early in the urban development process before environmentally harmful and fiscally unsustainable practices become politically entrenched.

A land management strategy that integrates spatial planning with financial, sectoral, and institutional planning can encourage the orderly expansion of residential land through the coordinated expansion of major infrastructure networks including roads, public transport, water supply, sewage, and drainage. The report suggests possible strategies in these areas, including a phased development approach through the designation of priority development zones based on current development patterns, access to infrastructure, and environmental issues.

The first priority should focus to increase the supply of serviced residential land to meet the existing backlog and respond to new demands. The designation of residential development areas on both public and private lands can provide large areas of serviced land on a cost recoverable basis and have dramatic effects on land and house prices. To implement strategies and projects, several institutional structures are outlined. It is recommended that for the development of new sites in public ownership, public/private partnerships be formed including the use of flexible institutional structures such as development corporations where appropriate.

Concurrently, the development of a regularization strategy for informal development will require a legal framework to legalize tenure rights and create a structure for coordination among central agencies and local municipalities. Different options need to be developed depending on underlying tenure status. Given that responsibility for land crosses between local authorities and various

central ministries, strengthening the capability of local authorities to undertake regularization and upgrading strategies will depend on cooperative approaches between central and local authorities and NGOs. Within each urban area, potential development zones for regularization must be assessed relative to: municipal growth objectives, environmental constraints, infrastructure servicing, community management and organization potential, and cost recovery objectives.

The proposed strategy for technical assistance stresses the need to quickly respond to the initial crisis facing Tirana and subsequently Durres. It is suggested that given the urbanization problems facing Albania and Tirana in particular, technical assistance activities in regard to land management be divided into two major categories:

- A crisis management response that quickly develops alternatives to unmanaged growth. Unless land is provided in a timely and adequate manner, there is a risk that a majority of newly formed households will settle in unserviced and underserviced areas.
- Longer-term institution building to assist in the process of urban development, including legislative, regulatory, and enabling frameworks that provide a climate of opportunity for managed urban growth.

Relation to USAID Country Strategy in Albania

Land management would focus on two of USAID's country strategy objectives: developing a market economy and social sector restructuring with a focus on improving the quality of life. In support of USAID's overall assistance strategies, a land management project can help to achieve the balance between strong economic performance and attention to the needs of disadvantaged segments of Albanian society during a critical transition period. A land management project would build upon the institutional strengthening that has occurred under the current housing project and support emerging housing urban policies that recognize that the government can be an enabler and supporter of housing activity rather than a direct provider. The proposed technical assistance would provide a framework for further collaborative efforts with major international institutions such as the World Bank and other bilateral agencies.

Phase I — Workshop

In response to the need to quickly identify areas for residential development in Tirana, it is proposed that a workshop be conducted in October 1994 to identify land management strategies for the City and District of Tirana. There exists a "narrow window of opportunity" for cooperation among central government and municipal authorities to quickly put in place a land management strategy that responds to the tremendous growth pressures in Tirana, provides serviced land, and identifies strategies to address the informal development process.

The last master plan for the City of Tirana was completed in 1989 using concepts and strategies of a centrally planned economy. Planners at both the National Planning Institute and the Municipality and District of Tirana agree that the plan is outdated and cannot provide the development guidelines necessary for functioning in a market economy. The workshop would provide an opportunity to bring together key decision makers and local professionals at the

municipal and central levels to reach a consensus on a structure plan for Tirana to guide infrastructure investments.

It would also serve as the initiating activity of a “compressed technical assistance activity” leading to the development of a feasibility study for the first phase of residential land development projects. Policy, legal, regulatory, and institutional issues that need to be addressed would also be identified in the workshop and incorporated into the feasibility study and longer-term technical assistance. The outputs of the workshop would include action plans that define the scope and emphasis of the feasibility study (Appendix 8, D. Cook Report) and the longer-term technical assistance needs.

Phase II — Feasibility Study

The feasibility study will provide both central and local authorities with a framework to attract private investment in housing and economic development, effectively use land as a leveraging asset, and channel the considerable levels of remittances into the formal housing sector. It would also assist the Albanian authorities and international and bilateral agencies to identify key infrastructure investments that will leverage private sector involvement in housing.

The feasibility study would address key policy, institutional, and financial issues for the first phase of a new settlements project and the regularization and upgrading of informal settlements. It would also provide a plan of action to initiate projects, propose institutional structures that rely on public/private partnerships, and identify financial strategies to implement. Priority projects would most likely include: serviced land, legal frameworks for regularization, basic services for informal development, and key infrastructure investments including a sewage system and treatment plant.

The study would be conducted by multi-disciplinary teams of expatriate and local professionals. Areas of expertise would include urban planners and engineers with extensive experience in real estate development, and the implementation of similar projects in new settlements and regularization, a community development organizer, a senior planner or lawyer with extensive background in land regularization and legal issues, a municipal and project financial expert.

Phase III — Implementation

At the end of the feasibility study, selected projects could be initiated. The study would have identified a range of projects and approaches including those that can begin immediately with minimal levels of capital to larger-phased projects linked to planned capital spending. Both central and local governments will have a framework to attract new partners among both the private and public sectors to fund key off-site infrastructure investments and undertake land development and housing projects.

Longer-Term Approaches — Capacity Building and Replication

In developing the feasibility study, local professionals will have been taken through the project cycle from strategic planning to project identification to detailed design. New methods of urban

planning and development adapted to a working of a market economy would have been introduced including management of urban development through central/local cooperation, public/private partnerships, and community involvement in the development process. A similar process, with a much reduced level of technical assistance could then be replicated for areas beyond Tirana with an initial focus on Durres.

Opportunities and constraints within existing laws and regulations can be identified and key institutional, legal, and regulatory reforms can proceed in parallel with the development of the feasibility study and pilot projects. These include assistance to municipalities and central ministries in defining appropriate responsibilities under a more decentralized model of urban development and management of services, strengthening institutional capacities, and building technical skills at both central and local levels of government.

Section II — Background

2 Introduction

This report summarizes the findings and recommendations of a mission sponsored by USAID/RHUDO Warsaw that took place in Albania from May 18th to June 2nd. Based on the priorities established by the Ministry of Construction and USAID, the team focused primarily on land management strategies for residential development and the identification of potential development zones. The team drew upon the work of previous USAID mission including a report prepared by Dr. Mona Serageldin for USAID/RHUDO Warsaw, “Framework for Land Management and Urban Development in a Market Economy” (May 1994¹). The mission began with a workshop on May 20th on worldwide experiences in urbanization, informal development, and growth management strategies for some 20 planners from the Ministry of Construction, Districts, and Municipalities.

4 Background

The major urban centers of Tirana and Durres are experiencing urbanization pressures that accompany fundamental and rapid structural changes in a country's economic, social, and political fabric. Within urban areas there is an unprecedented demand for urban land due to the convergence of major factors:

- Rapid urban growth sustained by a “young” demographic profile, high birth rate², rural to urban migration, and the new freedom to relocate within the country;
- The rapid transition to an open market economy which is creating new capital including remittances from Albanians working abroad;
- New housing demands created by social and economic change (political prisoners and homelessness);
- The relocation and economic impacts of privatization and restitution claims³; and

In addition to providing a introduction of macro-economic issues that are impacting land management in Albania, this report outlines: major regulatory, financial, and legal issues; central/local relations; impacts of privatization and restitution; and gives the context to explain the emergence of informal development.

² One third of the population is under 15 years of age and the population growth rate is estimated at 2% per annum.

³ The government estimated that 9,300 families, most of whom are in urban areas, will be displaced by former owners during the restitution process. In the Tirana region, families will also be displaced by the new Bovilla reservoir.

- Inter-urban movement of households fueled by cramped housing conditions and individual household investment strategies that view housing as shelter and financial security.

6 Growth of the Informal Sector

The growth of the informal housing and land development sector in Albania cannot be attributed solely to issues of change in a transitional economy. The combination of factors mentioned above leads to a longer self-sustaining process where urban growth outpaces the ability of government and the private sector to provide serviced land. It is not unusual for major cities facing similar urban growth pressures to have upwards of 65 percent of the new residential development and smaller commercial enterprises occurring outside the formal system.⁴ Although exact figures are difficult to determine in Tirana and Durres given the uncertainty of land ownership, both central and local authorities acknowledge that a majority of development is occurring outside the formal regulatory structure. Overall, land development in Tirana and Durres can be classified into three broad categories:

— The **formal system** where land ownership has been determined and the owner/developer has or intends to obtain planning approvals and building permits. The majority of these projects are occurring on infill plots⁵ in the form of individual household expansion and 25-100 unit apartment projects where tenure claims and restitution cases have been resolved; larger sites in public ownership that are reserved for developers (although many have restitution claims); and finally, cooperation among contiguous landowners and developers to assemble land for housing developments.

— **Informal development** where land ownership and occupancy rights can be substantiated (including transfer of leasehold options) yet there is a violation of planning or building regulations. This development occurs in privatized land holdings often at the edge of existing settlements and along newly emerging development corridors.

— **Illegal development** where land ownership and occupancy rights cannot be easily substantiated and planning approvals and building permits have not been obtained (although residents may have obtained utility connections). This is occurring primarily on public land, larger tracts where ownership is in question, and in larger parcels with temporary leasehold or in-use designations. Sites chosen include areas that lack access to infrastructure (low land prices), areas adjacent to serviced zones (in order to access water) and land areas in flood plains, parks, and industrial zones.

In Cairo, 65% of the housing is estimated to be unauthorized (informal); in Amman, 15% is unauthorized and an additional 15% is illegal, and in Istanbul, 50% of housing is unauthorized.

During privatization, owners of individual buildings also received the land within the parcel including the garden and yard.

The National Planning Institute estimates that within the last two years some 2,500 new housing units in the District and the periphery of the Tirana City have been constructed in violation of land registration, development approval, or building permit regulations. Within the last year, 400 building permits were issued in the District with 80 percent for expansion of existing housing units and the remainder for new housing units. Planners note that many of the expansion permits are actually for new units and that these formal requests account for 20%-35% of total building activity in the District.

Within the City of Tirana, there has been an steady increase in approved projects. The Chief City Planner in a meeting on June 12, 1994 noted that within the last four months, permits had been issued for 1,000 flats including new and reconstruction. In its most recent June meeting, the Council of Territorial Adjustment of the Municipality approved permits for 30 private houses and a total of 360 apartments.⁶ If these figures are sustained, it represents an increase in proposed building activity within the City of Tirana.

Other permits issued in the city include 14 shops, 2 hotels, 8 office/administrative projects, and 2 industrial.

Section III — Existing Conditions in Tirana

2

1 Land Development

Access to water, more pleasant micro-environments at moderate elevations, and adherence to a policy of protecting the agricultural land has traditionally influenced the location of residential development in Tirana. Since the early 1900s, the City of Tirana expanded in elongated rings towards the northeast and Dajtit Mountain. From 1944 to 1985, the city grew about 400 hectares or an average of 10 hectares a year. In developing the master plan in the late 1980s, it was estimated that the city would require about 65 hectares of new land each year.⁷

In 1985, residential land uses accounted for about 645 hectares or 35 percent of the city's land area. Projections of land needs for residential development in the master plan assumed an annual requirement of less than eight hectares of land over a 20-year period. Historically, residential development was restricted to smaller infill developments in the older sections of the city, new high-density developments that became the predominant housing typology during the last 40 years⁸ and to a limited extent, new subdivisions.⁹

Emerging Development Patterns

Within the City and District of Tirana, there are considerable levels of new residential activity including informal construction. In response to market conditions and access to water and transportation, new development patterns are emerging along major corridors, land bordering existing urban settlements, and outlying villages, these include:

- Areas to the west and northwest along the Durres road and Shkodra roads.
 - There is new formal and informal housing development along the Durres road. The District has also designated a new industrial and light manufacturing zone of

Three excellent maps regarding the historical development of Tirana and land use patterns are provided for reference in Appendix 8. They were developed by Shpresa Lera, Urban Planner, Ministry of Building, Construction, Housing and Territorial Adjustment, Department of Territorial Adjustment as part of a planning project undertaken with the National Planning Institute.

Typical building includes 5-6 story walkup buildings of 20-30 units. Interior densities are extremely high; a typical unit will have two or three rooms totaling 30 to 35 square meters occupied by 4-6 persons. UNICEF noted that acute respiratory diseases account for a significant percentage of infant mortality for children aged one through four. Previous studies in other countries show high a correlation between levels of respiratory diseases and crowded living conditions, especially in the winter.

Subdivision plans were provided by the National Planning Institute for land on the urban periphery for sale to individual owners.

117 hectares (Coca-Cola was the first client), and a 70-hectare site for residential development. The City of Tirana has also indicated an interest in developing housing in the same area.

- ▶ Along the Shkodra road, there is evidence of informal housing development along the road and on large tracts of land either in public ownership or under a leasehold agreement.
- To the northeast east on land adjacent to existing developed areas along the road to Mt. Dajtit, new formal and informal development is occurring incrementally at the edge of the existing built-up areas including land adjacent to settlements along the river that is designated for a higher-income housing development.
- To the southeast along the Elbasan road and the area that borders the City and the District, large sites have been designated to large private developers primarily for a high-income market. According to both District and City of Tirana planners, there is also informal unauthorized development occurring on land where ownership has been established and illegal development occurring on public land that is adjacent to formally designated sites. Contiguous land owners in this area are also cooperating among each other to assemble land for housing developments in partnership with developers.

Planned Expansion

Planners for the City of Tirana and the National Planning Institute estimate that there are at least 100 hectares of vacant and underutilized land within current city boundaries available for residential development (see map 1, Tirana Emerging Development Zones in Appendix 6). In addition to infill plots which have been privatized, new land is becoming available for residential development or other urban uses through the formal redesignation of parcels to residential development (urban use) on a case-by-case basis. Other land within the city boundaries, subject to both formal and informal development, includes agricultural land bordering major roads and underutilized land in industrial zones.¹⁰

Outside the existing urban boundary or yellow line, estimates of land available for new urban development vary from 500 to 700 hectares depending on the final designation of the proposed urban expansion zone of Tirana. This includes a new suburban expansion zone to the north which has been proposed by both the National Planning Institute and the City of Tirana (see map 2, Tirana, Area for Future Planned Development in Appendix 6). It is estimated that some 200 hectares of State-owned land lies with the immediate suburban zone.¹¹

In 1988, there were 54 hectares of designated agricultural land and 339 hectares of industrial zoned land. In transitional economies, vacant and unproductive land held by former state enterprises that has not been subject to environmental degradation can become a resource to accommodate new demands on urban land.

Some of this land may be in temporary “in-use” leasehold.

New Housing Projects

One approach to residential development, being used by both the City and the District of Tirana, is to assemble and designate large tracts of land for Albanian and foreign investors (see Appendix 2 for a description selected projects). These large projects, ranging from 500 to 2,000 units of housing, are primarily for higher-income households and will require 18-36 months from startup before they begin to produce significant amounts of housing. In some cases, projects have yet to resolve major issues such as financing, transportation access, restitution claims, and planning approvals before they can begin full-scale development. In other cases, the developers plan to test the market with smaller pilot projects.

Two ongoing projects supported by government and international organizations include the Ministry of Construction/World Bank/USAID project that will complete some 2,650 units in the Tirana area and the housing project for ex-political prisoners that will provide 95 units of housing. These projects are targeted for lower-income households and emergency housing cases. In Tirana, the backlog of housing units for these households is estimated at 6,650 units.

Another type of formal development which is occurring within the existing urban zone is new infill projects including individual unit expansion, medium-sized investor projects (25-100 units) and larger projects, such as a 200-unit project that was recently issued a building permit in the City of Tirana. Although there are increased levels of building activity within the city, the restitution law is still inhibiting development given the uncertainty over ownership rights.

The City of Tirana is cooperating with a Dutch NGO to develop strategies to upgrade an existing informal settlement within the city of some 460 households. The planning staff has undertaken a survey of the households and structures and a three-person planning team has been formed that includes the “Mayor of the Zone,” a planner from the City, and a representative of the Dutch Foundation. The approach resembles a land readjustment process where the city hopes to negotiate with some of the households to open land for higher-density development.

3 Infrastructure

The Albanian government has limited funds for infrastructure development and is currently identifying priority projects in cooperation with international agencies.

Water

Improving the level of water service is an extremely critical priority for the government. In sections of Tirana, water service is at 50 liters/day per capita (1-2 hours of service).¹² The Italian Agency for Cooperation is financing the construction of a 16km main trunk line to bring water

Levels of Service as defined by the water authorities includes: 50 ltr/cap/day — less than two hours of service; 100 ltr/cap/day — two-six hours of service; 150 ltr/cap/day — more than six hours of service

from the Bovilla reservoir to a water treatment plant just north of Tirana. The reservoir is scheduled to become operational in three years, and increase the water supply to up 3,000 liters per second. The project also includes the construction of 35 kms of new water distribution mains by December 1995. This project will increase the efficiency of the distribution system, which is losing considerable water through leakage, and increase its capacity to accept higher flows from the new Bovilla water reservoir and truck line.

A decision on the exact alignments of the new water mains has been undergoing a lengthy review process, areas adjoining these improved distribution systems can expect new growth pressures, including the underutilized areas within the northern and western sections of the City of Tirana where the development potential has been limited because of poor water pressure. Land adjoining the 16km main water line will also be subject to intense development pressures that can be capitalized upon.

According to the information obtained from the Tirana Water Corporation, there is ground water available to the west of the city in the large area of open land between the two Durres roads. Currently, 650lt/second is being pumped from this source into the water distribution system of the city of Tirana. It is understood that a further 300 lt/sec may be available from this area and, if this is the case, it could support a population of 100,000 persons.

The presence of ground water presents important opportunities and constraints. The Tirana Water Company has indicated that it will draw upon this source to provide water in the western zone. If the land is not properly developed with an appropriate sewage disposal system, this critical source of ground water could be contaminated by the proliferation of septic systems. Furthermore, once water is provided, per capita consumption will rise dramatically and the planned sewerage network must be of sufficient capacity to accommodate these increased flows and prevent contamination of the ground water.

Sewer

The existing sewage collection system is inadequate and there exist no sewage treatment facilities. No rehabilitation work is programmed for the existing network, nor is the construction of a treatment facilities planned. The lack of treatment facilities will become a critical environmental problem as the city grows and access to new water resources increases per capita consumption and lead to higher sewage outflows. Planners are also concerned about the ability of the existing system to accommodate the increased flows generated by new developments.

Roads

Within the Tirana area, two major road projects are planned but lack funding: the widening of the main route between Tirana and Durres, and a new road to create a more direct link between Tirana and the Rinas airport. Construction has started to widen a 5km section of the Tirana/Durres road beginning at the edge of the existing urban boundary. The location of the airport road is under review. Both of these road improvements will create development pressures which should be managed and capitalized upon in the area to the west and north of the city.

5 Planning, Regulatory, and Institutional Issues

The previous USAID mission¹³ and reports by other organizations such as UNCHS,¹⁴ the Wisconsin Land Tenure Center¹⁵, and volunteer consultants from the International Service Executive Corporation¹⁶ have identified legal, planning, institutional, and regulatory policies which must be addressed to develop a coherent land management strategy within a market context. A selected list of these issues are noted below and expanded upon in Appendix 4.

- Ambiguous ownership status and constrained land markets have resulted in a serious disequilibrium between the effective demand for land and the supply of land. The identification of ownership rights should continue to be expedited.
- Market functions need to be introduced into the physical planning process. The current centralized legal, regulatory, and institutional structures do not lead to effective private investment or collaborative public/private strategies. There is a need to redefine responsibilities for land development among central and local levels of government.
- There is insufficient public capital funding to provide basic utility services to accommodate new development. Central and local authorities need assistance in developing more realistic action plans and investment strategies that place increasing emphasis on the participation of private capital and recovery of costs.
- Greater diversity of housing typologies should be introduced and incorporated into current planning standards to serve various income groups.
- Government agencies require new skills in contract negotiations and monitoring of contracts with private domestic and foreign firms to guarantee the public's legitimate interests.

New Planning Studies

A major issue identified by local planning authorities is the need to develop planning studies for priority development zones. The last master plan for the City of Tirana [The Regulation Plan] was completed in 1989 using concepts and strategies of a centrally planned economy. Planners at both

Mona Serageldin, April 1994, "Framework for Land Management and Urban Development in a Market Economy."

"Urban Land Regulation-Registration and Management in Albania," UNCHS (HABITAT), Feb, 1993.

"Land Markets, Information, and a Property Registration System in Albania", David Stanfield and Maksi Raco in *Computers, Environment and Urban Systems*, Vol 18, No. 2, pp.133-141, 1994, Pergamon.

"Report on Land Planning in Albania and the Relationship between Planning and Development in Tirana, Albania," Draft, Sally Iadarola, December 1993.

the National Planning Institute and the Municipality of Tirana agree that the plan is outdated and cannot provide the development guidelines necessary for functioning in a market economy.

Currently, sector studies are required to obtain a variance from the existing master plan or if an area does not have sector plans. Presently, this function is being carried out by developers. Although such a procedure meets present regulations, there is a danger is that longer-term public issues will be subsumed within developers' more immediate priorities.

Local Development Incentives and Financing Mechanisms

In both the municipality and District of Tirana, the planning staff have incorporated strategies which combine development incentives and the concept of “impact fees,” examples include:

- the assembly and designation of land for residential development which is sold at an established compensation fee, often below the market value;
- The Tirana District provided access to land¹⁷ to a foreign hotel investor on the Mt. Dajtit road who agreed to share in the cost of upgrading a water reservoir; and
- To a limited extent, planners in both the City and District of Tirana are developing strategies to expedite the resolution of restitution claims by assisting former owners and a designated developer to negotiate a settlement that allows the development to move forward.

Such approaches should be encouraged and a more formal institutional framework established to clearly distinguish and support planning/development functions and regulatory controls.

¹⁷ Land prices are set by the Council of Ministers.

Section IV — Growth Scenarios

2 3 Population Projections

The City of Tirana's current population is estimated at 300,000 with an additional 180,000 living outside the urban zone in the District of Tirana.¹⁸ Two population forecasts are presented for the next six years based on overall urban growth rates of five and eight percent (Tables 1.1 and 1.2.). At the lower rate, the urban population in the Tirana region would grow by some 160,000 persons over the next six years. If a high migration rate is sustained and the population grows at an average of eight percent, an additional 281,700 persons will be living in the Tirana region bringing the population to 761,700 persons by the year 2000.

Table 1.1
Population Projection
Tirana 1994-2000
5 Percent Growth Rate

| Year | Mid-Year Population | Natural Increase | Migration | Total Increase |
|-------------|--------------------------------|-----------------------------|------------------|---------------------------|
| 1994 | 480,000 | 9,600 | 14,400 | 24,000 |
| 1995 | 504,000 | 10,080 | 15,120 | 25,200 |
| 1996 | 529,200 | 10,584 | 15,876 | 26,460 |
| 1997 | 555,660 | 11,113 | 16,670 | 27,783 |
| 1998 | 583,443 | 11,669 | 17,503 | 29,172 |
| 1999 | 612,615 | 12,252 | 18,378 | 30,631 |
| 2000 | 643,246 | 12,865 | 19,297 | 32,162 |

This base figure is an estimate used by local authorities and the National Planning Institute. Given increased social mobility led by high migration rates and a growing Albanian labor force outside the country, up-to-date figures are not currently available.

Table 1.2
Population Projection
Tirana 1994-2000
8 Percent Growth Rate

| Year | Mid-Year Population | Natural Increase | Migration | Total Increase |
|-------------|--------------------------------|-----------------------------|------------------|---------------------------|
| 1994 | 480,000 | 9,600 | 28,800 | 38,400 |
| 1995 | 518,400 | 10,368 | 31,104 | 41,472 |
| 1996 | 559,872 | 11,197 | 33,592 | 44,790 |
| 1997 | 604,662 | 12,093 | 36,280 | 48,373 |
| 1998 | 653,035 | 13,061 | 39,182 | 52,243 |
| 1999 | 705,277 | 14,106 | 42,317 | 56,422 |
| 2000 | 761,700 | 15,234 | 45,702 | 60,936 |

5 Housing Needs Assessment

Estimates of the number of units required to house the growing population of Tirana are presented in Tables 2.1 and 2.2. These projections assume growth rates of five and eight percent and an average household size of four persons per housing unit. The projections include an the estimated backlog of 6,650 housing units needed for families within the special needs categories (social and political housing) in the Tirana region.

Under these assumptions, the number of housing units needed annually in the Tirana region ranges between 6,950 to 10,550 units in 1994 to 8,991 to 16,184 units in the year 2000.

These tables also present estimates of the number of units required annually by low-, medium-, and high-income groups from 1994 to 2000. To estimate housing needs among these three income groups, the following distribution was assumed: high income, 5 %; middle income, 40%; and low income, 55%. The estimates illustrate that regardless of the growth rate assumed, land must be provided for substantial levels of new housing starts lower- and middle-income households.

Table 2.1
Housing Need — Projection by Income
Tirana 1994—2000
5 Percent Growth Rate

| Year | Total Units* | Low Income | Middle Income | High Income |
|-------------|-------------------------|-----------------------|--------------------------|------------------------|
| 1994 | 6,950 | 3,823 | 2,780 | 348 |
| 1995 | 7,250 | 3,998 | 2,900 | 363 |
| 1996 | 7,565 | 4,161 | 3,026 | 378 |
| 1997 | 7,896 | 4,343 | 3,158 | 395 |
| 1998 | 8,243 | 4,534 | 3,297 | 412 |
| 1999 | 8,608 | 4,734 | 3,443 | 430 |
| 2000 | 8,991 | 4,945 | 3,596 | 450 |

* Includes the backlog of 6,650 units distributed over the 7 years at 950 units a year.

Table 2.2
Housing Need — Projection by Income
Tirana 1994-2000
8 Percent Growth Rate

| Year | Total Units* | Low Income | Middle Income | High Income |
|-------------|-------------------------|-----------------------|--------------------------|------------------------|
| 1994 | 10,550 | 5,803 | 4,220 | 528 |
| 1995 | 11,318 | 6,225 | 4,527 | 566 |
| 1996 | 12,147 | 6,681 | 4,859 | 607 |
| 1997 | 13,043 | 7,174 | 5,217 | 652 |
| 1998 | 14,011 | 7,706 | 5,604 | 701 |
| 1999 | 15,056 | 8,281 | 5,022 | 753 |
| 2000 | 16,184 | 8,901 | 6,474 | 809 |

* Includes the backlog of 6,650 units distributed over the 7 years at 950 units a year.

7 Residential Land and Infrastructure Needs

Unresolved restitution issues, coupled with lack of serviced land available for development, is leading to illegal development of new housing on public and private lands. Consequently, such land development patterns consumes more land per family, results in inefficient land use, and requires costly infrastructure investments.

The following series of tables presents estimates of land area required for residential use and the amount of investment required for infrastructure from 1994-2000 under two growth scenarios,

managed growth and unmanaged growth. A more conservative growth rate of five percent was used to estimate land consumption estimates. Clearly, substantial savings can be achieved by formally increasing the supply of land suitable for development in Tirana.

If growth is properly managed and serviced land is made available through formal processes, some 1,240 hectares of land will be required in the next six years at the lower growth rate of 5% (Table 3.1). Estimated cumulative costs to service this land by the year 2000 range is \$138.8 million in constant dollars at the 5% growth rate (Table 3.2).

Unmanaged Growth Scenario

With the continuation of the current development patterns, at least 33% more land will be required by the year 2000, or some 1,660 hectares of land (Table 4.1). Infrastructure costs to service this type of unmanaged growth could amount to \$335.78 million in constant dollars to accommodate the same population by the year 2000 (Table 4.2). Further, it is highly probable that such infrastructure funding levels are not sustainable and that areas of the city would not receive services.

Need for New Serviced Land

The ability to deliver serviced land within public and private ownership for the low- and middle-income families in Tirana is one of the greatest challenge faced by the Government of Albania today. Table 3.1 shows the estimated amounts of land between public and private ownership that must be released to accommodate managed growth. To provide serviced land at affordable prices for 85% of low- and 25% of the middle-income households, about 76 hectares of land in public ownership must be made available in the initial years and upwards of some 98 hectares a year by the year 2000. To provide serviced land for 75% of middle-income households and all of high-income households, similar amounts of serviced land must be made available among private land owners.

The provision of new serviced land by public authorities, the development of affordable subdivision regulations, and a streamlined approval processes for private land development are critical to opening up sufficient land to meet the projected demands.

Table 3.1
Scenario 1: All Planned and Formal Development
Land Requirements for Housing by Income Group (in Hectares)
Tirana 1994-2000
5 Percent Growth Rate

| Year | Total Land Req. | | | Public | | | Private | Pub/Pvt | Pub/Pvt | Cum. |
|------|-----------------|-----|------|--------|-----|-------|---------|---------|---------|------|
| | Low | Mid | High | Low | Mid | Total | Cum | Total | Total | |
| 1994 | 67 | 76 | 12 | 57 | 19 | 76 | 76 | 80 | 156 | 156 |
| 1995 | 70 | 80 | 13 | 59 | 20 | 79 | 155 | 83 | 162 | 318 |
| 1996 | 73 | 83 | 13 | 62 | 21 | 83 | 238 | 87 | 169 | 487 |
| 1997 | 76 | 87 | 14 | 65 | 22 | 86 | 324 | 90 | 177 | 664 |
| 1998 | 79 | 91 | 14 | 67 | 23 | 90 | 414 | 94 | 184 | 848 |
| 1999 | 83 | 95 | 15 | 70 | 24 | 94 | 508 | 99 | 193 | 1041 |
| 2000 | 87 | 99 | 16 | 74 | 25 | 98 | 607 | 103 | 201 | 1242 |

Table 3.2
Scenario 1: All Planned Construction and Formal Development
Cost of Infrastructure Construction for Housing
Tirana 1994-2000 (in 000s Constant Dollars)
5 Percent Growth Rate

| Year | Low Income | Middle Income | High Income | Total | Cumulative |
|------|---------------|------------------|----------------|--------|------------|
| 1994 | 7,645 | 8,340 | 1,390 | 17,375 | |
| 1995 | 7,975 | 8,700 | 1,450 | 18,125 | 35,500 |
| 1996 | 8,322 | 9,078 | 1,513 | 18,913 | 54,413 |
| 1997 | 8,685 | 9,475 | 1,579 | 19,739 | 74,152 |
| 1998 | 9,067 | 9,892 | 1,649 | 20,608 | 94,759 |
| 1999 | 9,468 | 10,329 | 1,722 | 21,519 | 116,279 |
| 2000 | 9,890 | 10,789 | 1,798 | 22,476 | 138,755 |

Table 4.1
Scenario 2: All Illegal and Informal Development
Land Requirements for Housing by Income Group (in Hectares)
Tirana 1994-2000
5 Percent Growth Rate

| Year | Total Land Req. | | | Public | | | Private Cum | Pub/Pvt Total | Pub/Pvt Total | Cum. |
|------|-----------------|-----|------|--------|-----|-------|----------------|------------------|------------------|------|
| | Low | Mid | High | Low | Mid | Total | | | | |
| 1994 | 115 | 97 | 17 | 97 | 24 | 122 | | 108 | 230 | 230 |
| 1995 | 120 | 102 | 18 | 102 | 25 | 127 | 249 | 112 | 239 | 470 |
| 1996 | 113 | 96 | 19 | 96 | 24 | 121 | 369 | 108 | 229 | 698 |
| 1997 | 118 | 100 | 20 | 101 | 25 | 126 | 495 | 113 | 239 | 937 |
| 1998 | 113 | 96 | 21 | 96 | 24 | 120 | 616 | 110 | 230 | 1167 |
| 1999 | 118 | 101 | 22 | 101 | 25 | 126 | 741 | 115 | 240 | 1407 |
| 2000 | 124 | 105 | 22 | 105 | 26 | 131 | 873 | 120 | 251 | 1658 |

Table 4.2
Scenario 2: All Illegal and Informal Development
Cost of Infrastructure Construction for Housing
Tirana 1994-2000 (in 000s Constant Dollars)
5 Percent Growth Rate

| Year | Low Income | Middle Income | High Income | Total | Cumulative |
|------|---------------|------------------|----------------|--------|------------|
| 1994 | 19,113 | 19,460 | 3,475 | 42,048 | |
| 1995 | 19,938 | 20,300 | 3,625 | 43,863 | 85,910 |
| 1996 | 20,804 | 21,182 | 3,783 | 45,768 | 131,678 |
| 1997 | 21,713 | 22,108 | 3,948 | 47,769 | 179,448 |
| 1998 | 22,668 | 23,081 | 4,122 | 49,870 | 229,318 |
| 1999 | 23,671 | 24,102 | 4,304 | 52,077 | 281,394 |
| 2000 | 24,724 | 25,174 | 4,495 | 54,393 | 335,787 |

9 Typologies of Residential Development

Given current building technologies and typologies with the formal sector in Albania, it is difficult for the private and public sectors to provide a dwelling unit at an affordable cost for most urban households. To become competitive with the informal construction sector, the formal sector must meet the same levels of cost, efficiency, and flexibility.

Discussions with planners and contractors indicate that new housing typologies are emerging as an alternative to the high density walk-up apartments surrounded by large areas of open space. Several typologies are discussed below to demonstrate how land and housing may be developed for various income groups. The costs are based on May 1994 estimates.

The introduction of different building typologies within the formal system can lead to more efficient construction technologies and result in increased production, lower costs, and more efficient development patterns. A more detailed cost breakdown of plot and building typologies is in Appendix 6.

Serviced Plots

Currently in Tirana a high number of residential units are being developed by income groups with a limited budget for housing. Such developments occur primarily on government land lacking basic services and infrastructure. Initially a wooden or a simple concrete block structure is built by the occupant of the land. Over time, as family incomes permit, more rooms and amenities are added to the original structure, expanding the size of the unit to accommodate the growing family needs for space and sources of income (commercial spaces on the ground floor and rental units).

Serviced starter plots are an alternative intended to meet the needs of the lower- and middle-income groups. Land assembled by public authorities can be subdivided, serviced, and sold at affordable prices. For example, given the prevailing \$4 US/M2 price for land on the outskirts of Tirana, an estimated cost for basic infrastructure of \$2,000 per plot, and a modest development fee of \$27, a selling price of \$2,727 was estimated for a gross land area per plot of 175 sq. meters. Based on information gathered through informal interviews with individuals developing at similar standards, the above costs appear to be in line with the ability and willingness to pay of these households for serviced plots with clear title (tapi).

• *60 m2 Units*

60 m2 basic units can be designed to allow for future expansion and are assumed to be built on the same size plots as the serviced plots. Based on interviews with local contractors in Tirana, the \$80 US/m2 cost of construction for these units were determined. In determining the m2 cost of construction, the households were assumed to take the responsibility for various finishing such as interior and exterior paint of the unit. The selling price for this unit is estimated as \$7,623. This price includes serviced land, a 60 m2 building, design, and engineering fees and development fees.

• *65 m2 Row-Houses*

These row houses can meet the needs of professional low-/middle-income families, who have built a modest net worth over the years and would like to take the opportunity to move from an “apartment lifestyle” to a unit with a small garden. These row houses are also designed to be built on the same basic lot size and may be expanded as the household incomes rise. Based on a \$120 construction cost/m2 for these units, the sales price was estimated at \$10,895. It is important to note very few if any units are available in Tirana market at these prices. It is believed that the

rowhouses and 60 m2 starter units will be very popular and demand for these units will be very high.

- *85 m2 Unit*

Larger three-bedroom units could cater to the needs of middle- and upper-middle-income households able to afford a more spacious and finished living room, kitchen, and bathroom. Such units could be designed as two-story rowhouses or as walk-up apartments with sufficient parking space for private automobiles. The selling price of these units is estimated at \$22,210.

- *150 m2 Free Standing Single-Family Home*

Large single-family homes are clearly designed to serve the high end of the market. They would be built to serve the needs of individual households with an estimated price of \$77,100 and higher.

Sections V — Proposed Strategies

2 Overview

The Albanian government has demonstrated a commitment to the establishment of property rights through its privatization and restitution laws. A similar commitment, supported by the government and international agencies, is crucial to the provision of new residential development sites and the regularization of existing residential zones.

A very effective method for addressing undesirable growth patterns is to undertake proactive strategies to open up land for development and to identify the underlying legal and regulatory issues that will support and encourage the private sector provision of serviced land and housing.

A land management strategy can encourage the orderly expansion of residential land through the coordinated expansion of major infrastructure networks including roads, public transport, water supply, sewage, and drainage. In the context of developing options for residential land management strategies in Tirana, policies and strategies should focus on:

- Providing access to land for residential and economic development for all income groups;
- Developing mechanisms to legally integrate new growth into the municipality and the District;
- Strengthening institutional capabilities at both the central and local levels to implement land development projects;
- Identifying legal structures and development controls which create more efficient land markets through responsive and flexible planning; and
- Mobilizing private resources through the use of public/private partnerships to provide land and housing.

In response to equity issues, which are an underlying policy objective for the government of Albania, effective land management strategies must provide development options for all economic groups. In the absence of a balanced approach, groups not included in a land management strategy will develop their own housing options outside the formal system.

The formulation of land management policies in Albania also provides an opportunity to develop strategies that avoid the problems associated with rapid urban growth in other countries which have undergone similar transitions, including:

- Providing infrastructure servicing before settlements reach a level of densification that either results in high servicing costs or precludes servicing because of the lack of financing;
- Developing proactive land management strategies that make realistic assessment of the amount of land required for urbanization to minimize the loss of agricultural land loss to unmanaged scenarios;

- Developing cost recovery precedents early in the urban development process thereby establishing a tradition and a willingness to pay for land and services¹⁹; and
- Encouraging spatial development patterns that avoid the economic stratification and lead to inequitable development and inefficient servicing patterns. This includes developing strategies to balance long-term urban and suburban growth patterns.

4 New Residential Development

The first priority should focus to increase the supply of serviced residential land to meet the existing backlog and respond to new demands. The provision of major off-site works²⁰ and the designation of development areas on both public and private land can provide large areas of serviced land on a cost-recoverable basis in desired locations and have significant effects on land and house prices.

4.2 Identify and Assemble Land in Public Ownership for Residential Development

Utilize the opportunity of government ownership of land in the urban zone and develop an immediate program to identify and release this land for mixed income development. It is estimated that in the immediate future, approximately 60-100 hectares of publicly controlled land should be made available.

Development options can establish cost recovery mechanisms to recover the cost of site development (land, infrastructure, development fee). The precedent established within the existing National Housing Agency project should be extended to the development of new residential zones. Development Corporations can be established to develop appropriate sites (see Appendix 1).

4.4 Establish an Enabling Environment that Encourages the Private Sector to Provide Serviced Land and Housing

Institutional and structural reforms will be required to encourage the private sector to supply significant levels of housing within the formal system, these include:

- Remove legal constraints and ambiguities relating to property rights and land development, establish a time limit for compensation and restitution cases, and permit the buying and selling of land outside the yellow line;

In most countries facing similar growth patterns, long-term cost recovery strategies have been severely hampered because governments are unable to collect plot improvement charges.

The provision of off-site works funding through for example the World Bank or IDA funds can leverage cost recovery options and strategies for on-site infrastructure.

- Encourage rational urban growth by adopting institutional reforms to expedite land allocation, strategic infrastructure investments and development approvals within a metropolitan framework. Interim strategies will have to be adopted until the annexation issue between the city and district is resolved.
- Introduce methods of urban planning and development controls that are adapted to a market economy; and
- Adopt enabling legislation to encourage decentralization of planning and implementation of land development strategies.

The designation of specific residential development zones where development can take place within an appropriate set of sub-division regulations can send the “development signals” to individual builders and developers. This in turn can stimulate greater participation of the private sector in the provision of serviced land and housing. Precedents already exist in Tirana including a sub-division of 210 parcels near the Blloku Vasil Shanto housing development in the City of Tirana.

The development of sub-division regulations and building typologies can encourage private sector participation including the smaller contractors and developers who are emerging as an important group of housing providers.

The identification of appropriate linkage mechanisms (impact fees) whereby private developers are given priority in the redesignation process or incentives such as higher densities to provide land or housing for lower-income families within the existing site or in another area.

4.6 Designation of Priority Development Zones

Different areas have been identified by the City of Tirana, the Tirana District, and the National Planning Institute as potential development zones. Priority development zones should be designated based on existing development pressures for land, desired development patterns, agricultural preservation strategies²¹ and a realistic assessment of infrastructure availability, timing, and cost to support development.

For example, the land to the west of Tirana between the Durres roads offers potential residential land and access to water through existing ground water sources. The District of Tirana plans to initiate a design competition for the development of a 70-hectare site and the City of Tirana has indicated that it is considering portions of this zone for housing development. As mentioned earlier, this site offers opportunities regarding access to water and proactive strategies should be developed to protect this valuable source of ground water.

A separate team from the University of Wisconsin Land Tenure Center is going to develop a land classification system based upon agricultural productivity.

The designated expansion zone to the north offers very attractive opportunities to plan development areas, especially in development corridors which will surround the planned airport road and the truck line bringing water from the Bovilla Reservoir.²² If some of this land is in government ownership, cost recovery opportunities exist through the capture of increase land values that will occur with the introduction of major infrastructure. Once the final location of the 35km water mains is determined, potential areas of vacant and underutilized land can be designated for residential development.

It is recommend that technical assistance be provided to designated Albanian teams to identify areas for new residential development, develop a comprehensive strategy for all income groups, and identify financing strategies for off-site and on-site works. Specific sites chosen as pilot projects, would provide an opportunity to identify and address longer-term legal and institutional reforms.

6 Regularization of Informal Development

Develop regularization strategies to incorporate emerging developments into the City and District of Tirana within a legal framework and develop servicing strategies based on growth strategies.

The development of a regularization strategies will require a legal framework to legalize tenure rights and create a structure for coordination among central agencies and local municipalities. With each urban area, potential development zone for regularization must be individually assessed to determine:

- Municipal growth objectives including desired uses and location relative to infrastructure servicing;
- Social methods of organizing residents and reaching land readjustment agreements;
- Economic objectives including cost recovery, willingness to pay, etc.; and
- Environmental issues, e.g., avoiding floodplains and environmentally hazardous areas.

Different options can be used and lessons should be drawn from previous regional experiences including: the use of leasehold (in-use) categories where the government enters into contractual agreements regarding use, land readjustment options, and interim and flexible land registration systems including temporary occupancy permits. In certain sites, NGOs can be used to facilitate the process.

It is recommended that technical assistance be provided to a local counterpart team who would focus on developing legal frameworks land regularization and specific strategies for selected priority zones. The task force should include representatives from key central ministries and local

The availability of water will depend on the completion of the new reservoir which is scheduled to begin service in three years.

government. The technical assistance team should include a planner with extensive legal background in land laws within the region, a finance expert to develop cost recovery options, and an infrastructure specialist who specializes in community development strategies.

8 Fiscal Considerations

Given the fiscal constraints faced by both central and local governments, creative financing mechanisms and the generation of new revenue sources will have to be identified to develop land and provide services. The key in Albania is to leverage the considerable amount of private sector funds that are being invested in housing. If properly planned, considerable levels of local revenue can be generated to cover the costs of on-site and to a limited extent off-site infrastructure. Impact fees can be negotiated with developers and one-time charges increased such as hook-up charges and user fees.

Public authorities can capture the increased value of land that comes with the introduction of infrastructure including short-term infusion of funds from the sale or lease of land and longer-term revenue streams from bringing residential development into the municipal finance system.

Creative strategies can also be developed to address the lack of formal financing for residential development in Albania although it must be noted that the development of financing strategies are directly related to the issues of restitution and the availability to secure land titles as collateral. Currently, developers have to provide large amounts of equity and prefinancing from potential buyers to develop projects. Making formal financing mechanisms available to the private sector will broaden their capacity to develop housing and access to formal lending sources such as banks or pension funds could be encouraged through different mechanisms including loan guarantees.

10 Review of Central/Local Relationships

Opportunities exist to develop central/local relationships that rely on cooperation and reinforcement of the roles and responsibilities between central ministries and local government. Effective urban policies are those that build upon collaborative central/local linkages and avoid attempts to over concentrate responsibilities in one level of government.

Role of National Planning Institute

The National Planning Institute (NPI) is the technical arm of the Ministry of Construction and is responsible for developing and updating master and sector plans for cities and towns. In the past, it also developed subdivision plans for specific residential areas. The NPI is undergoing major changes as its mandate shifts from a central ministry that had strong planning and development controls to an agency that must function in a decentralized administrative structure.

It is recommended that the NPI receive technical assistance in redefining its role and functions as it shifts from an agency that conducts traditional master planning studies for all local government

to an agency that provides innovative research to support critical issues faced by municipalities and regional issues that cut across sectors and geographical boundaries (strategic planning, water resources, environmental planning, coastal development, and transportation).

It should provide technical assistance to local government, especially those smaller entities that cannot develop the staff resources to provide planning studies at the local level. The UNPD has conducted an assessment of the NPI that included a cooperative agreement with DATAR, the French Delegation for Regional Planning and Regional Action, under the Ministry of Infrastructure, Housing, Regional Planning and Transport. Paralleling the decentralization policies adopted by the French government, DATAR refocused its activities from a central planning agency to an enabling agency that entered into contractual agreements with local government.

Assistance to Local Authorities

Within the framework of the existing planning law, the municipality must develop detailed plans if a proposed development will require an amendment to the master plan. While cities such as Tirana have the authority, they lack the implementation capacity to develop authority to request these studies from the National Planning Institute or private sector firms they face two key constraints: the lack of funds to commission the studies and the shortage of staff and resources at the National Planning Institute to carry out the studies. Alternative mechanisms are being used including:

- Advertisements for design competitions for the redevelopment of specified sites, for example a 68-hectare area in Durres or a 70-hectare site in the District of Tirana; and
- Utilizing planning studies developed by the private sector developers (medium and larger) to assess project impacts.

These *ad hoc* methods do not allow for the incorporation of larger public concerns and an objective assessment of the development impacts of these types of developments. There is a need to immediately implement a series of coordinated planning studies that address key redevelopment zones within the municipality and the District.

The Tirana Polytechnic has recently restructured the financial framework of its Design Bureau that will allow it to become financially self-sufficient and provide incentives for faculty to undertake planning studies and research that can benefit local and national authorities. Currently, many of the faculty are operating private design firms to supplement their university salaries and have no real financial incentives to participate in planning studies through the design bureaus. Under its new arrangements, it retains 70 percent of any study fees for overhead and salaries. This new structure offers an opportunity for the University's Polytechnic Design Bureau to provide planning and technical studies to local authorities including in joint venture with the NPI.

12 Implementation Options and Strategies

To meet the projected housing demand, the government will have to process an estimated twelve times as much land per year as it has in the past. New institutional structures will be required to address the demand.

At the local level, especially major urban centers such as Durrës, Tirana, and Tirana District, planning and implementation capacities within the municipality and the district need to be strengthened and new institutional structures devised to plan and implement land development projects. Conceptualizing, planning, accessing development capital, and managing redevelopment strategies that rely on public/private partnerships will require consolidated planning and implementation functions to successfully package and develop a site for new housing or upgrading of services.

In interviews with government officials, donor agencies, and NGOs involved in housing projects, the creation of a strong implementation capacity for priority projects was a clear and demonstrated need. There are different approaches ranging from designating a special group within a local authority, to the establishment of a national agency that can work with local agencies, to the creation of a public or private entity (development corporation) that can manage projects for the government. Basic options that exist within the Albanian context include:

- A special task force unit with signatory powers that represents key ministries and agencies. Two groups with overlapping membership could each focus on land management strategies for: (1) new sites and (2) regularization strategies;
- Project implementation units located within the local governmental administrative structure for specialized projects or the development of specific sites. For example, a special implementation unit should be formed within the local authority to implement regularization projects; and
- Development Corporations that can incorporate more flexible administrative procedures and have the financial authority necessary to plan and implement larger, more complex projects that focus on new residential land development (a description is included in Appendix 1.)

14 Suggested Focus for Technical Assistance²³

The proposed workplan for technical assistance builds on key recommendations from the previous mission and incorporates new findings. As noted in the May 1994 USAID report, “Framework for Land Management and Urban Development” technical assistance should:

- Link to a priority activity for which capital funding is sought, or could eventually be obtained from foreign or domestic sources;

This section was updated based on activities conducted by two of the team members in Tirana in July of 1994.

- Relate directly to a high priority item on the development agenda and link with major infrastructure works included in the public investment program for the upcoming three-year cycle; and
- Involve both the state and the municipalities and build on commitments already made in terms of scarce manpower and resources.

It is suggested that given the urbanization problems facing Albania and Tirana in particular, technical assistance activities in regard to land management be divided into two major categories:

- A crisis management response that quickly develops alternatives to unmanaged growth. Unless land is provided in a timely and adequate manner, there is a risk that a majority of newly formed households will settle in unserviced and underserviced areas; and
- Longer-term institution building to assist in the process of urban development including legislative, regulatory, and enabling frameworks that provide a climate of opportunity for managed urban growth.

Phase I — Workshop

In response to the need to quickly identify areas for residential development in Tirana, it is proposed that a workshop be conducted in October 1994 to identify land management strategies for the City and District of Tirana. There exists a “narrow window of opportunity” for cooperation among central government and municipal authorities to quickly put in place a land management strategy that responds to the tremendous growth pressures in Tirana, provides serviced land and identifies strategies to address the informal development process.

The workshop would provide an opportunity to bring together key decision makers and local professionals at the municipal and central levels to reach a consensus on a structure plan for Tirana to guide infrastructure investments.

It would also serve as the initiating activity of a “compressed technical assistance activity” leading to the development of a feasibility study for the first phase of residential land development projects. Policy, legal, regulatory, and institutional issues that need to be addressed would also be identified in the workshop and incorporated into a longer-term technical assistance workplan. Specific objectives of the workshop include:

- Identifying the most likely urban growth scenarios for Tirana in the next five years and the identification of priority development zone(s);
- Reaching a consensus on a structure plan for Tirana;
- Prioritizing a list of strategic infrastructure investments; and
- Identifying the first phase of programs for new settlements and regularization of informal settlements and what priority legal, institutional, and regulatory issues must be addressed in the feasibility study.

The outputs of the workshop would be action plans that would form the basis for defining the scope and emphasis of the feasibility study and the longer-term technical assistance needs.

Phase II — Feasibility Studies

The feasibility study will provide both central and local authorities with a framework to attract private investment in housing and economic development, effectively use land as a leveraging asset, and channel the considerable levels of remittances into the formal housing sector. It would also assist the Albanian authorities and international and bilateral agencies to identify key infrastructure investments that will leverage private sector involvement in housing.

The feasibility study would address key policy, institutional, and financial issues for the first phase of a new settlements project and the regularization and upgrading of informal settlements. It would also provide a plan of action to initiate projects, propose institutional structures, identify financial strategies to implement, and provide a framework to attract private investment from individual households to developers. Outputs for priority projects will include:

- Project justification
- Preliminary engineering
- Preliminary cost and financing requirements
- Institutional and legal requirements for project implementation
- Plan for follow-up and evaluation

Priority projects would most likely include: serviced land, legal framework for regularization and basic services for informal development and infrastructure, including a sewage system and treatment.

The feasibility study would be conducted by multi-disciplinary teams of expatriate and local professionals. Areas of expertise for this initial phase include: study directors with extensive experience in implementing similar projects and private real estate development; urban planners with extensive experience in planning new settlements and regularization projects; engineers with experience in new settlement, upgrading, and regularization and sewage treatment; a community development organizer and planner; a senior planner with extensive background in land regularization and legal issues; and a municipal and project financial expert. A proposed level of effort for the workshop and feasibility study is estimated at 550 person-days.

Phase III

At the end of the feasibility study, project implementation could begin. The study would have identified various types of projects and approaches including those that can begin immediately with minimal levels of capital to phased projects linked to planned capital spending.

Regulatory Reform, Institutional Restructuring, and Capacity Building

In developing the feasibility study, local professionals will have been taken through the project cycle from strategic planning to project identification to detailed design. A similar process, with a

much reduced level of expatriate technical assistance, could be replicated for areas beyond Tirana with an initial focus on Durres.

In the process of developing land management strategies for residential land, opportunities and constraints within existing laws and regulations can be identified and modifications proposed. Key institutional legal and regulatory reforms can proceed in parallel with the development of the feasibility study. Those issues which will require longer periods (land registration, central/local relationships, legislation, institution building, etc.) can be incorporated into longer-term training and capacity building activities.

Appendix 1 — Profile of Development Corporations

Housing in Albania was traditionally produced by government-owned construction companies, which received their funds from budget sources. However, since 1993, as a result of privatization efforts of the Government of Albania, several privately owned foreign and local construction companies were formed and started their operations. In addition, several Joint Venture companies were established between Albanian and foreign companies in the construction sector.

Discussions with various private construction companies in Tirana revealed that housing construction companies are negotiating to develop apartment buildings in partnership with private land owners in Tirana. These partnerships are structured in a way where the land owner agrees to provide the property for development in exchange for a percentage of units to be built on the property. The construction company is responsible for raising the financing required to complete construction, managing the entire design and approval process, and the marketing of the units. Some of the financing is raised from preselling the units. In summary, the construction companies in Albania, are beginning to assume the role of a “developer,” however, they are lacking capital to undertake large scale projects to meet the demand for housing in Tirana.

Clearly, there is an opportunity for “development companies” to develop sites for housing in Tirana as well as other parts of Albania. The responsibilities of these companies would include but not limited to:

- Assemble suitable land for housing development;
- Prepare market and financial feasibility studies and business plans;
- Raise necessary funds (loan and equity financing) for the development of projects;
- Negotiate with contractors for the construction of the buildings and infrastructure;
- Coordinate the design development and approval process;
- Prepare a marketing strategy and program to successfully sell all the plots and units under construction; and
- Arrange for construction supervision and management.

There are three models under which “development companies,” which can range from a public agency to a private company or an NGO, can be engaged for the development of a specific site or sites:

1. “the developer” assumes the financial responsibility for the development of the project either in partnership with others or as a sole proprietor;
2. “the developer” operates under a management contract with the owners and/or investors to manage the entire process of their behalf; and
3. “the developer” is given the rights to the land and assumes all financial and development responsibilities associated with the project.

Depending on the size of the project, any one of these three models would be applicable in Albania. However, in the “developers,” financial and technical capacities and legal authority must be in line with the type and size of the project.

Appendix 2 — Outline of Land Development Options.1. McRea International, a British company.

Location: On southeastern edge of the city within the yellow line.
Market: 500 low-density housing units for higher income groups.
Land: Public land, title will be transferred to the owner upon sale.
Financing: Developer Equity

2. Tirana Construction Company, Albanian Company that enters into joint ventures with foreign firms.

Location: 8 km outside the city and outside the yellow line
Market: 2,200 high density housing units for higher income groups (160/m²).
Land: Private land assembled among contiguous owners.
Financing: Developer equity and generation of owner equity through the presale of units and a 30 to 40% downpayment.

3. Y.Y. International Investment Ltd. (Israeli firm)

Location: 3 sites totaling 80 hectares outside the yellow line.
Market: 2,000 units, upper middle to high income (estimated construction costs of \$14,000 to \$19,000 per unit) Additional infrastructure costs including completing a bridge across the river on the northern site.
Land: Mixed Tenure, see below

North Site 27 hectare across the Tirana River, 1,800 to 2,000 units, limited access.

West Site 25 hectare. — Land allocation and planning approvals divided between the commune that has administrative responsibility for individual housing and the District for apartments.

South Site 30 hectare. Within the District on Municipal/District Border along Elbasan road. Most land in this area is privately held and ownership status resolved. The developer is negotiating with land owners who are expected to be partners to the project. Publicly funded water improvements for the this area are expected to be finished in August. Land has gone through a re designation process from agricultural to urban (higher use category).

4. The Insurance Institute of Albania

Location: Northern section of Tirana, within the yellow line
Market: Insurance fund employees and open market for 500 housing units, targeted for upper income groups (upwards of \$120 a square meter.)
Land: The Municipality of Tirana designated land 12 hectares of land to develop the housing project.
Financing: Insurance fund and agreement with private contractor who will market the units.
Issues: At the time they were ready to begin the project, 1/3 of the site was accessible since the remaining 8 hectares was claimed by previous owners under the restitution law. The municipality has brought together one of the ex-owners who

owns a majority of the disputed property and the insurance company to find develop an agreement regarding the site. This is becoming an established practice to resolve land disputes on larger sites where ownership claims are clear.

5. Dutch Foundation project (CEBEMO) and AKONEKS Construction Company.

| | |
|------------------|--|
| <i>Location:</i> | Informal and Illegal Development within the Yellow line. |
| <i>Market:</i> | Lower Income |
| <i>Tenure:</i> | Mixed tenure, the city planner wants to develop reuse strategies for this site. |
| <i>Issues:</i> | The Dutch Foundation has requested assistance from the studies section of the City of Tirana to regularize informal development in the Laprakes section of the City. The site is broken into six zones ranging from a large sparsely settled site to completely subdivided and built upon. |

The planning department conducted a complete survey of the existing structures and families. It is estimated that approximately 1,855 persons are currently living in the six zones, there are 282 completed units, and foundations in place for 157 additional units. Average family size of 4 persons per household and average plot size is 150m². Construction materials are indicative of the construction process ranging from wood in the initial stages to concrete block and brick for the well established units. The legal status of the land is mixed, the existing residents have paid for their sites including one owner who said he paid \$2,000 for his land.

The City has is working with the owners of land and the residents occupying the site to regularize the zones. The approach resembles a land readjustment process where the municipality hopes to relocate some of the households to build high density developments. A three person team has been formed that includes the “Mayor of the Zone,” a planner from the Municipal Planning Department and the Dutch Foundation.

The city planning staff has completed a planning study for Zone 4 of the area (2 hectares) with the objective of providing basic utilities for this zone. The technical staff feels that the existing density is too low and believes that multi-family structures of 5-6 stories should be constructed and the existing residents relocated moved.

6. Unauthorized Development

| | |
|------------------|---|
| <i>Location:</i> | Along the road to Skodra |
| <i>Market:</i> | Lower Income |
| <i>Tenure:</i> | Illegal development on former State Farm located outside the yellow line, which was not privatized. |
| <i>Issues:</i> | There are numerous sites where large tracts of state land, reserved for future development on the urban periphery are being subdivided. In some sites, the development has occurred to the point where relocating the residents, especially for planned residential development is prohibitively expensive. |

Appendix 3 Case Study — City of Durres

The team visited the Durres Planning Office to discuss a design competition sponsored by the Durres Planning Department. The following are the team's observations concerning the competition.

Context:

Durres population-93,000; issues: importance of port; high unemployment; unauthorized developments; 6,000 housing unit backlog; many of the beach front properties are how housing homeless families.

Water losses estimated at 40 - 50%. Infrastructure improvements planned \$ 15.6 million water rehabilitation project for 1/3 of city network (World Bank and Japanese funds -- haven't verified budget commitment from the donors). Level of service -- 50 liters/day per capita (1 - 2 hours of service).

Site:

The 68 hectare is on reclaimed land at edge of city and adjacent to multi-family housing. It lies within the city expansion zone, on state land and avoids proposed alignment for a future road. Serious deficiencies exist for primary utilities -- water most critical. City has requested funding from the Ministry of Construction for \$230,000 to repair 1,700 meters of a water main adjacent to the property and repair sewer and drainage pipes.

The city planning officials assured us that the reclamation land is suitable for development. In separate discussions with planners from the National Planning Institute, they indicated that the site is not appropriate for high density housing because of the high cost of multi-story buildings given soils, drainage and need to design for a seismic zone.

Competition Criteria

We had an opportunity to briefly review proposals submitted by Italian and Italian/Albanian and Albanian groups. They were developed based on an announcement for the competition with minimum criteria that included a range of site densities--230-300 persons per hectare for about 4,000 units, multi-use designations and information on soils and seismic conditions.

The degree of detail varied from one proposal to another. To our best understanding the design criteria provided for the competition did not include a request for economic, financial and affordability studies, consequently the authors did not include these in the proposals.

We discussed with the planners about the need for evaluation criteria to judge the fiscal and economic impact to the city including development costs (including off-site), profit and cross subsidy potential from commercial development, cost of maintenance to the city for open spaces and impact on long-term tax revenue streams.

Recommendations

The site is large enough that a phased development approach should be used. The challenge is to use the city's ownership of the land to leverage the private development. Development strategies have to be more flexible and based on financial and economic considerations.

The site offers the opportunity to house:

- part of the 6,000 emergency housing cases
- commercial space and market rate housing

We recommend a public/private partnership to develop the site that would involve a mix of options and strategies, for example:

- Offering all or a portion of the residential land for owner-buildout or to a developer. This would generate equity for the city to finance initial infrastructure improvements;
- Offering a portion of the site to a developer for commercial, tourism facilities and market rate housing who in turn would build a percentage of the remaining housing units; and
- Develop linkages between redevelopment of beach sites currently housing homeless families by developer and the developer's participation in providing relocation housing on the site.

Next Steps:

The city should complete the evaluation of the design competition which will help city to assess the appropriate land uses and development strategies for the site. The competition represents a new approach for the planning department to identifying development strategies.

The city as the owner should assess the social and economic objectives in Durres given the transitional economy, what do they want to achieve (for example provide housing for the homeless), how to use this resource to generate and leverage funds.

The city would benefit from technical assistance to develop a tender for development proposals from qualified firm(s) to develop the site or a portion of it, the requests would be clearly structured to include:

- Site description including infrastructure requirements and costs to bring it to a developable standard and environmental issues.
- Housing objectives (% market/% social etc), desired densities, schematics, management
- Financial Strategy for development including infrastructure requirements and financing.

After the city evaluates the proposals and confirms financial options and strategies it could give tentative designation to the site to a developer.

Appendix 4 — Key issues related to land management

This mission focused on the identification of land management strategies for residential development and the identification of possible sites for residential development to meet the severe back log of housing demand. These efforts can only function in a supportive legal and regulatory environment. Previous missions have identified some of these issues which are highlighted below.

- **Ambiguous ownership rights and constrained land markets** have resulted in a serious disequilibrium between the effective demand for land and the supply of land for legal housing development. The identification of ownership rights should be expedited and market transactions introduced into land management, currently, land cannot be legally sold outside the “yellow line”.
- Highly **centralized legal, regulatory and institutional structures** discourage private investment. What structural changes are required to support private investment and more efficient land use? How can planning tools and control mechanisms be made more responsive to the needs of the private sector?
- A more **systematic method for disposal of public lands needs to be developed**. What is the most efficient and equitable method of opening up public lands for development?
- **Greater diversity of housing typologies** should be introduced, How can the concept of diversity of housing types to serve various income groups be incorporated into current planning standards.
- **The occurrence of illegal and informal settlements** represents inefficient use of land which is a valuable asset. How can land conservation (especially preservation of prime agricultural land) be balanced with accommodation of the in-migration through legal means?
- Government **agencies require new skills in contract negotiations and monitoring of contracts** with private (particularly, foreign) firms. How can the public's legitimate interests be guaranteed?
- There is a need to clarify **responsibility for land development between central and local levels of government**. What are the appropriate institutional relationships during the transition and beyond that can create efficient processes for land allocation, approval and infrastructure provision.

Key issues related to financial feasibility/infrastructure finance:

- There is **insufficient public capital funding to provide basic utility services** to accommodate new development. How can limited capital resources be maximized? How can government agencies develop more realistic action plans and investment strategies that place increasing emphasis on the participation of private capital and recovery of costs? How can the provision of off-site infrastructure create opportunities to develop realistic cost recovery formulas for on-site infrastructure work.
- **Future regularization of informal settlements through provision of basic public services at some future date will cost two to three times more** than if provided prior to development.

How can land and basic services be provided prior to development in the current context?

What are the best approaches for upgrading existing informal settlements?

- **How can market functions be introduced into physical planning?** For concepts for adding value to land and for recouping revenues need to be understood.

Appendix 5 — Detailed Cost Estimates for Residential Development

The following table was developed to illustrate the cost of servicing and developing different residential serviced plots and buildout strategies. The costs are based on information available in May 1994.

**Estimated Selling Prices* for Serviced Plots & Housing Units
Tirana 1994 (in constant US dollars)**

| | SERVICED PLOT | LOW | LOW/ MIDDLE | MIDDLE | HIGH |
|--|--------------------------|------------|------------------------|---------------|-------------|
| UNIT SIZE IN M2 | 0 | 60 | 65 | 85 | 150 |
| LAND | 700 | 700 | 910 | 3,375 | 8,750 |
| INFRASTRUCTURE | 2,000 | 2,000 | 2,000 | 3,300 | 6,000 |
| SUBTOTAL (SERVICED PLOTS) | 2,700 | 2,700 | 2,910 | 6,675 | 14,750 |
| CONSTRUCTION COST/M2 | 0 | 80 | 120 | 150 | 300 |
| ARCHITECTURE & ENGINEERING/UNIT | 0 | 48 | 78 | 765 | 4,500 |
| CONSTRUCTION OF STRUCTURE | 0 | 4,800 | 7,800 | 12,750 | 45,000 |
| SUBTOTAL (BUILDINGS) | 0 | 4,848 | 7,878 | 13,515 | 49,500 |
| TOTAL | 2,700 | 7,648 | 10,788 | 20,190 | 64,250 |
| DEVELOPMENT FEE | 27 | | 75 | 107 | 2,019 |
| 12,850 | | | | | |
| SELLING PRICE | 2,727 | 7,623 | 10,895 | 22,209 | 77,100 |
| % FINANCED | 50.00% | 25.00% | 17.50% | 10.00% | 0.00% |
| AMOUNT FINANCED | 1,363 | 1,906 | 1,906 | 2,220 | 0 |
| BUYERS CONTRIBUTION | 1,363 | 5,717 | 8,989 | 19,988 | 77,100 |
| INITIAL PAYMENT BUILDING | 0 | 4,923 | 7,986 | 15,534 | 62,350 |
| INITIAL PAYMENT LAND & INFRASTRUCTURE | 1,364 | 794 | 1,003 | 4,454 | 14,750 |
| MONTHLY PAYMENT | 20 | 27 | 27 | 32 | 0 |
| % OF MARKET SERVED | 30.00% | 25.00% | 22.50% | 17.50% | 5.00% |

* The costs were estimated based on information gathered through interviews with contractors, government officials and experts on land markets in Tirana. The selling prices for five different housing types were determined by adding a “development fee” to the above mentioned costs.

Appendix 6 — Reference Maps

The maps labeled Map 1 and Map 2 show emerging and planned expansion in the Tirana region.

Three other maps are provided for reference, Maps 3, 4, and 5, they illustrate (1) the historical development of Tirana, (2) location of urbanizing areas, and (3) land use patterns through 1987. They were developed by Shpresa Lera, Urban Planner, Ministry of Building, Construction, Housing and Territorial Adjustment, Department of Territorial Adjustment. In the final report, they will be translated.

Appendix 7 — Contacts

The team met with representatives of the Ministry of Construction, the Durres Planning Office and Water Works Department, the National Planning Institute, the Chief of the Tirana District, and the district's chief planner, the chief planner of the municipality of Tirana and members of his staff, the Dean of Tirana Polytechnic University, NGOs involved in housing, private sector developers, building contractors, the National Insurance Institute, the representatives from the World Bank, and the Italian Cooperation. The team also had the opportunity to conduct informal field interviews with households in various sections of Tirana.

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Appendix 8 — David Cook Report

July 14, 1994

TO: Everett Post
PADCO Resident Manager

From: David Cook, Consultant
Albania-Tirana

RE: Land Development Strategies for Residential Development

I visited Tirana from July 4 to 14; meet with representatives of the: (i) Ministry of Construction (ii) Tirana District and (iii) Tirana Municipality; and visited sites to the west of the city. Olgun Ersenkal (until July 6), Rebecca Black (until July 5) and John Driscoll (July 12-14) also attended some of the meetings. The discussions confirmed the findings of the two previous missions¹ in that:

- The supply of serviced urban land lags way behind demand. Unserviced informal settlements are proliferating, particularly to the north adjacent to the Shkoder road, these trends are likely to continue. At the present time, very few areas are being provided with services and developed in a formal manner.
- The infrastructure agencies, particularly those responsible for providing water supply and sewerage have very few resources.
- Compilation of the cadastral and land ownership records will take some time to resolve. For the present, titles are obscure and confused. A modus operandi allowing development to proceed whilst claims and compensation issues are settled will have to be found.
- There is a "Window of Opportunity" for government/municipal agencies to provide serviced land ahead of the informal development process. The opportunity, however will not be available for long.
- The existing "master plan" of Tirana is inappropriate. It was prepared during the old regime and the fundamentals on which it was based have changed.
- The institutional framework needed to deliver urban serviced land is either inappropriate or does not exist.

Mona Serageldin (April 18-22 — report dated May 1994); John Driscoll Olgun Ersenkal and Sally Iadarola, May 18-June 2, 1994 — report dated June 27, 1994).

Given the time constraints, it is suggested that the urbanization problems facing Albania, and Tirana in particular, should be dealt with on two levels requiring different dynamics and actors.

Level 1 — The Fast Track — Crisis Management

It must be accepted that Tirana will grow by some 200,000 people in the next five to ten years. The date when the population of the urban core crosses the 500,000 or 1 million thresholds does not matter. What does matter however, is the simple fact that it will cross the thresholds sooner rather than later.

There is a risk that the majority of the newly forming households will settle in unserviced (or possible slum) conditions unless serviced land is provided in a timely and adequate manner. Speed of action is essential.

Level 2 — Institution Building and Assisting the Process of urban Development.

At this level, the time dimension changes. The need to prepare the urban institutions for the long haul is recognized. Legislative, regulatory and enabling frameworks need to be created which will provide "a climate of opportunity" in which urban Albanians can help themselves, i.e. as part of a sustainable process, as opposed to a response to a crisis.

These two levels of activity are not mutually exclusive, they can proceed in parallel. The following discussion however focuses on Level 1.

The Structure Plan

Urban structure plans should respond to the dynamics of urbanization. In a rapidly changing situation they need to be flexible and provide the backdrop for the provision of infrastructure which can lead to land development.

The preparation of even a crude structure plan requires information and the following should be obtained (however crudely).

- (a) A Sieve Analysis. Identify the areas where for one reason or another building should **not** take place, i.e. identify those areas:
 - ▶ Subject to an above average seismic risk or subject to flooding;
 - ▶ With prime agricultural potential;
 - ▶ Suffering from "blight" or pollution;
 - ▶ Steep slopes or where rock is outcropping.
- (b) A Threshold Analysis. Identify "bottlenecks" and those areas which need major infrastructure investments to open them up, e.g., a bridge over a river; major sewage pumping or large water supply schemes.

- (c) A Deficiency Analysis. This may not be appropriate in the Albanian context as everyone may have a standard but low level of service. It implies identifying areas deficient in:
- ▶ Water supply (pressures, hours of service);
 - ▶ Sewerage/Sanitation facilities;
 - ▶ Transport (more than 0.5 km) from a bus route;
 - ▶ Housing, identify areas where people are living 2 to 4/room;
 - ▶ Electricity/power shortages;
 - ▶ Solid Waste collection and disposal; and
 - ▶ Education/Health facilities.
- (d) Identify Areas of Opportunity
- ▶ For industrial/commercial development; and
 - ▶ Areas offering recreation potential.
- (e) Recognize Informal Pressures, Thrusts and Initiatives
- ▶ Identify areas where informal development is taking place and if possible calculate the rate of change.
- (f) Map the Historic Growth of the City and Existing Land Use.
- ▶ Highlight the change which has taken place in the last three years. Discuss recent patterns of real estate development. Assess the pent-up demand for housing and the willingness to pay for land and buildings.
- (g) Seek Information from all Infrastructure Agencies
- ▶ Prepare maps of primary and secondary distribution systems;
 - ▶ Highlight major problems and constraints;
 - ▶ Outline the Resources available, staff, equipment, vehicles and budgets, note exiting and pending charges and tariffs or fees;
 - ▶ Describe:
 - (i) any work under construction or subject to bidding;
 - (ii) Any problems under active discussion and/or design
 - (iii) Outline 5-10 year needs and any programs for the sector.
 - ▶ Sectors should include: Water Supply, Sewerage, Roads, Street Lighting, Electricity Supply, Surface Water Drainage; Solid Waste Collection and Disposal and Bus Transport.
- (h) Identify Land and Surveys
- ▶ Describe land which the Central, District and Municipality owns, leases or has in interest; to the extent possible discuss prices being paid for land and what kind of land market is developing.

- ▶ Describe the proposal and Status of the aerial photography and mapping project with particular emphasis on the suburban and fringe areas of Tirana.
- (i) Economy
 - ▶ Write a brief note on the existing employment situation, wages and incomes. Pay particular attention to overseas Albanian workers and try to assess to the extent of remittances. Postulate whether any of this money could/should go into real estate and how much is likely to be available for Tirana.
- (j) Demography
 - ▶ Write a brief note on the existing population of Tirana including age cohorts and present 5 and 10 year forecasts.

The above information is probably by and large already available. All agencies however should be asked to identify what is relevant for them and to prepare a briefing note illustrated with maps.

Discussions and Workshop

The information required above should be collected by each agency and steps should be taken to prepare a presentation at a workshop initially proposed for mid September 1994.

At the workshop an attempt will be made to identify:

- (a) The likely growth scenarios for Tirana in 5 and 10 years time.
- (b) The preferred and likely areas for settlement for high, middle, middle/low income groups;
- (c) A ranked and costed list of priority strategies for infrastructure investments; and
- (d) The first phase programs for (i) New Settlements and (ii) Upgrading which incorporate such matters as affordability and cost recovery. One of the slogans of the workshop would be that the government should only do only those things people cannot do themselves.

Feasibility Studies

Provided a consensus can be reached, multi-disciplinary teams of expatriate and local professionals can be formed and feasibility studies commenced covering the projects identified in (c) and (d) above.

At this stage funds would be necessary for office space, equipment, vehicle(s) etc. to sustain the working groups through a three month and possibly longer period.

The Feasibility Study for the identified projects would commence after the workshop and be completed prior to the end of 1994.

Detailed Designs would be done by local agencies in the period January-May 1995. During this period sources of funds would be sought..

Land and Remittances

The program is predicated on the following two assumptions:

(a) Land is one of the few assets available to the government. It should be used to generate money and resources for the provision of urban infrastructure and other services; and

(b) Remittances will provide the cash flow from which land and property profits can be made.

The point being that after purchasing a TV and a car, remittance money looks for real estate opportunities. Remittances may have been over US\$ 200 million in 1993.

Bringing land and remittance money together for the benefit of orderly development of the country is one of the aims of the project.

Likely Areas for Development

Preliminary discussions indicate that the major development thrusts in the next 5 years are likely to be to the west and to the north. This matter will be the subject of discussion at the proposed September workshop.

Maps and Surveys

Up to date and contoured maps to a scale of 1:5,000 (1:2,500 scale maps would be even better) will be required. Aerial photographs would be most helpful. Current mapping proposals should be followed up and given priority.

Financial Needs

It is not known at this stage what the likely financial needs of the project are likely to be. The project however would be designed to keep financial exposure to a minimum. Initially up to US \$10-15 million may be required to fund off-site and start-up money rolled over as soon as possible.

Sensitivities and Risks

At best an urban project capable of providing land and infrastructure for up to 15,000 per annum could be prepared.

Local professionals will be taken through the project cycle from identification through detail design. Hopefully construction and other financing will be attracted and bidding and implementation will follow and land and property market created.

The risk is that financing will not become available, in that case the project could stall. The situation however would be better than a "do nothing" scenario which will only lead to squatting and unserviced settlements. At least under the project, even if it is stopped at the design stage, people could settle in some form of "planned squat" as planned but informal situation.

One thing is certain, urban growth will take place. There is an opportunity here to enable urbanization to take place in an environmentally sustainable and productive manner.

We should try to help.

Next Steps

- (a) USAID/PADCO should seek the authority and support of the Minister of Construction in obtaining the basic information needed to conduct a worthwhile seminar in September 1994. Instructions should be given to each relevant agency.
- (b) Providing GOA support is forthcoming, USAID should be persuaded to commit resources for the necessary TA support and associated expenses.
- (c) Government commitment to the recently negotiated aerial photography and mapping project should be confirmed and the program of work given a "kick start."
- (d) Rebecca Black of USAID/RHUDO Warsaw should visit Tirana with the two proposed joint study (expatriate) directors as soon as mutually convenient.
- (e) The government should nominate a counterpart study Director and give consideration to the makeup of the counterpart study team.